## Message Text

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E.O. 11652: N/A

TAGS: ETRD,

SUBJECT: HUNGARY AND THE MTN

REF: GENEVA 07853

1. PROSPECTS FOR APPROVAL OF U.S.-HUNGARIAN TRADE AGREEMENT BEFORE JULY 15 ARE UNCERTAIN. AS YOU KNOW, HOUSE PASSED AGREEMENT MAY 22 BY VOTE OF 209-173. AGREEMENT WILL NOT BE REPORTED OUT OF THE SENATE FINANCE COMMITTEE UNTIL AFTER JUNE 5. WE ARE UNABLE TO DETERMINE AT THIS TIME WHETHER FULL SENATE WILL VOTE BY MID-JULY, BUT IT LOOKS POSITIVE.

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PAGE 02 STATE 136978

- 2. THOUGH THE TIMING OF VOTE ON TRADE AGREEMENT IS STILL IN DOUBT, WASHINGTON AGENCIES NOW PREPARING NTM REQUESTS FOR HUNGARY. WE WILL PROVIDE LIST OF OUR NTM REQUESTS TO MTN DEL AS SOON AS POSSIBLE.
- 3. THE U.S. CANNOT NEGOTIATE TARIFF CUTS WITH HUNGARY IN

GATT BODIES ESTABLISHED FOR THAT PURPOSE IN THE MTN,
BECAUSE TO DO SO MIGHT LEGALLY IMPAIR OUR INVOCATION OF
ARTICLE XXXV. WE MUST CONTINUE OUR INVOCATION OF ARTICLE
XXXV BECAUSE TITLE IV OF THE TRADE ACT DOES NOT PERMIT
US TO ENTER INTO FULL GATT RELATIONS WITH HUNGARY.

HOWEVER, WITHOUT IMPAIRING ARTICLE XXXV, WE CAN NEGOTIATE TARIFF CUTS BILATERALLY ONCE WE ARE ABLE TO EXTEND MFN TO HUNGARY. QUESTION OF NEGOTIATING TARIFFS BILATERALLY WITH HUNGARY IS CURRENTLY BEING CONSIDERED IN WASHINGTON. VANCE

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